

S.B. NO. 1147

JAN 24 2013

A BILL FOR AN ACT

RELATING TO MINIMUM HOURLY WAGE.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The legislature finds that currently nineteen
2 other states plus the District of Columbia have higher minimum
3 wage rates than Hawaii. Ten of these states index their minimum
4 wage to inflation so that the real value of the minimum wage
5 does not fall every year. The states that index their minimum
6 wage include Arizona, Colorado, Florida, Missouri, Montana,
7 Nevada, Ohio, Oregon, Vermont, and Washington.

8 The legislature further finds that Hawaii's minimum wage
9 rate was last raised on January 1, 2007 to the rate of \$7.25 per
10 hour and that Hawaii's minimum wage matches the federal minimum
11 wage and is just \$15,080 a year for a full-time, year-round
12 worker. The United States Census Bureau recently estimated that
13 17.4 per cent, or nearly one-fifth, of Hawaii residents live in
14 poverty and Hawaii ranks as the seventh highest state with
15 residents living in poverty.

16 The legislature further finds that Hawaii is the most
17 expensive state to live in. The Third Quarter 2012 Cost of
18 Living Data Series published by the Missouri Economic Research

1 and Information Center ranks Hawaii as the state with the
2 highest cost of living.

3 On July 1, 2012, the \$7.25 minimum wage would equal \$6.30
4 an hour adjusted for the cost of inflation. This represents a
5 thirteen per cent erosion in the buying power for minimum wage
6 workers since 2007. If the minimum wage rate had kept up with
7 inflation, then on July 1, 2012, the rate would have been \$8.35
8 an hour. For decades, the economies of Hawaii and the nation
9 have been reorienting towards low-wage jobs and the recession
10 and tepid recovery have only accelerated this shift towards low-
11 wage jobs.

12 The legislature further finds that an increase in the
13 minimum wage will boost consumer demand and jobs because minimum
14 and low-wage workers spend most if not all of their increased
15 wages and therefore will generate economic activity to support
16 our continued recovery from the recession. Although Hawaii's
17 official unemployment rate is slowly improving, according to the
18 United States Bureau of Labor Statistics from the fourth quarter
19 of 2011 through the third quarter of 2012, 13.7 per cent of the
20 civilian labor force in Hawaii is unemployed or underemployed.
21 Considering this employment situation and a continued slow
22 recovery, there is no better time to raise the incomes of

1 minimum wage and other low-wage workers and generate some much-
2 needed demand into the State's economy.

3 The legislature further finds that the increase in the
4 minimum wage historically has not impeded job growth in the
5 State. According to the research and statistics office of the
6 department of labor and industrial relations, since 2002 the
7 minimum wage has increased four times and on each of those
8 occasions the seasonally adjusted job count has continued to
9 grow.

10 The purpose of this Act is to raise the minimum wage to
11 further the economic recovery of Hawaii and lift Hawaii
12 residents out of poverty and to match the minimum wage to the
13 cost of inflation on an annual basis.

14 SECTION 2. Section 387-2, Hawaii Revised Statutes, is
15 amended to read as follows:

16 "**§387-2 Minimum wages.** (a) Except as provided in section
17 387-9 and this section, every employer shall pay to each
18 employee employed by the employer, wages at the rate of not less
19 than:

20 ~~[(1) \$6.25 per hour beginning January 1, 2003;~~

21 ~~(2) \$6.75 per hour beginning January 1, 2006; and~~

22 ~~(3)]~~ (1) \$7.25 per hour beginning January 1, 2007~~[-]~~; and

23 (2) \$8.75 per hour beginning January 1, 2014.

Report Title:

Minimum Wage; Consumer Price Index

Description:

Increases the minimum hourly wage to \$8.75 per hour beginning January 1, 2014; adjusts the minimum hourly wage thereafter in accordance with the consumer price index; and increases the tip credit to thirty cents.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

JUSTIFICATION SHEET

SB. NO. 1147

DEPARTMENT: Labor and Industrial Relations

TITLE: A BILL FOR AN ACT RELATING TO MINIMUM HOURLY WAGE.

PURPOSE: To increase the minimum wage to \$8.75 and require adjustments for the effects of inflation by modifying the rate annually according to the Consumer Price Index for urban wage earners and clerical workers (CPI-W) and to increase the tip credit by 20 per cent from 25 to 30 cents.

MEANS: Amend section 387-2, Hawaii Revised Statutes.

JUSTIFICATION: The last minimum wage increase was in 2007. Using that as the base year, and adjusting the current \$7.25 minimum wage for inflation based on the most recent Consumer Price Index that is updated semi-annually, the minimum wage would have been \$8.35 an hour on July 1, 2012. Using the Department of Business Economic Development and Tourism's (DBEDT) CPI-U forecast for 2013 to 2015, a worker would have to be paid \$8.57 by 2013, \$8.78 by 2014, and \$9.00 by 2015 in order to have the same purchasing power that the worker had in 2007 at \$7.25 an hour. Conversely, if the current minimum wage is deflated to 2007 dollars, it would be worth only \$6.14 per hour in 2013, \$5.99 in 2014, and \$5.85 in 2015. The \$7.25 minimum wage would have equaled \$6.30 an hour adjusted for inflation on July 1, 2012.

The following twenty states or jurisdictions have a higher minimum wage than Hawaii as of January 1 2013:

\$9.19 Washington*
\$8.95 Oregon*
\$8.60 Vermont*

\$8.25 Connecticut*, District of Columbia*,
Nevada*, Illinois
\$8.00 California, Massachusetts*
\$7.75 Alaska, Rhode Island
\$7.85 Ohio*
\$7.79 Florida*
\$7.80 Arizona*, Montana*
\$7.78 Colorado*
\$7.50 Maine*, New Mexico
\$7.40 Michigan, Rhode Island

*Denotes indexed to a cost of living or
other indexing mechanism.

It is desirable for Hawaii to maintain a
minimum wage standard that reflects the
increase in the cost of living, especially
considering Hawaii is one of the most
expensive states to live in.

Per the Third Quarter 2012 Cost of Living
Data Series published by the Missouri
Economic Research and Information Center
(http://www.missourieconomy.org/indicators/cost_of_living/index.stm), Hawaii is the most
expensive area to live in. Consumer News
and Business Channel (CNBC) also recently
reiterated this fact at:
http://www.cnbc.com/id/48058145/The_Most_Expensive_States_to_Live_in_2012.

Maintaining a minimum wage by indexing the
rate to the cost of inflation will also
reduce the number of Hawaii residents living
below the poverty line. The U.S. Census
Bureau recently estimated that 17.4 percent
of state residents live in poverty, or about
one-fifth of Hawaii residents, and that
makes Hawaii as the seventh highest state
with the percentage of people living in
poverty.

According to the Research and Statistics
Office of the Department of Labor and
Industrial Relations, since 2002 the minimum
wage has increased four times and on each of
those occasions the seasonally adjusted job
count continued to grow.

The twenty per cent increase in the tip credit is proportional to the proposed twenty-one percent increase in the minimum wage rate.

Impact on the public: This amendment will improve the quality of life for current minimum wage workers by adjusting the minimum wage for inflation to give workers more purchasing power. It will also provide an incentive for those moving from welfare to work to earn wages that will enable them to become self-sufficient. The majority of minimum wage workers in such occupations as waitperson, food service counter worker, and bus person, will also see an improvement in their economic sustainability.

Most importantly, by increasing the minimum wage and providing a mechanism for it to keep up with the cost of inflation, the number of Hawaii residents living in poverty should decrease from the current 17.4 percent of residents that the U.S. Census Bureau estimates live in poverty.

Impact on the department and other agencies: The department anticipates that it will experience a workload increase to implement this proposal due to the following:

- (1) Notices to employers and employees must be revised, printed, and distributed before the effective dates to provide advance notice of these changes.
- (2) More investigations must be conducted if employers fail to comply with the minimum wage changes.
- (3) Although chapter 387 does not apply to the state, state agencies may choose to match or set their minimum rates higher than the minimum rate per chapter 387.

GENERAL FUND: None.

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OTHER FUNDS: None.

PPBS PROGRAM
DESIGNATION: LBR 152.

OTHER AFFECTED
AGENCIES: Department of Education
Department of Human Services
Hawaii State Public Library System
University of Hawaii System

EFFECTIVE DATE: Upon approval.